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Voluntary contributions in the United Nations system organizations: impact on programme delivery and resource mobilization strategies

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "Voluntary contributions in the United Nations system organizations: impact on programme delivery and resource mobilization strategies" (JIU/REP/2007/1).

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VOLUNTARY CONTRIBUTIONS IN UNITED NATIONS SYSTEM ORGANIZATIONS

Impact on programme delivery and resource mobilization strategies

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EXECUTIVE SUMMARY

Voluntary contributions in United Nations system organizations: impact on programme delivery and resource mobilization strategies JIU/REP/2007/1

Objective:

To analyse recent trends in voluntary funding in United Nations system organizations, determine the impact of those trends on programme delivery, recommend measures to alleviate negative impact, and identify best practice.

Main findings and conclusions

Funding modalities and trends

- In the period 2000-2005, extrabudgetary/non-core funding was growing at a faster rate than regular/core funding in most United Nations system organizations, with a concomitant rise in the proportion of extrabudgetary/non-core funding in total funding.

Impact on programme delivery

- The trends in voluntary funding have had some positive effects on programme delivery, including facilitating the growth of operational activities in many organizations and providing a competitive boost to efficiency, but they have also posed considerable challenges.

- A major concern has been the lack of predictability of voluntary funding and its impact on the sustainability of programme delivery. This problem may be alleviated if some proportion of the voluntary funding is subject to predictable scales of contribution, as is the case with the model adopted by the Governing Council of the United Nations Environment Programme (UNEP) in 2002, which can be considered an example of best practice. Experience with multi-year funding frameworks, however, has been less encouraging in some organizations.

- The donor base for voluntary contributions is narrow in all organizations. This carries inherent vulnerabilities for programme delivery, and there has been a marked negative impact in cases where major donors have sharply reduced funding, or withdrawn completely.

- Conditionalities attached to voluntary contributions have reduced the flexibility of the funding and inhibited the secretariats of the organizations in their efforts to deliver mandated programmes. There is evidence that earmarking can lead to the distortion of programme priorities, which has been a major concern of the Inspectors. To counteract this problem, the organizations have developed innovative funding modalities, including thematic funding and pooled funding, which can be considered as best practice. Good communication between the stakeholders is also crucial.

- Some organizations have been facing critical shortages of core resources, affecting their ability to provide essential core services. In some cases, non-core resources have been financing key substantive functions and staff.

- The management of extrabudgetary/non-core resources requires substantial administrative support, incurring costs. In most organizations there is some subsidization of these support costs by regular/core resources, diverting resources from activities mandated by legislative organs to those with a narrower bilateral focus. Programme support costs should be fully recovered and, to that end, work on the harmonization of support cost policies should be expedited.

Funding dynamics

- United Nations system organizations compete for voluntary funds, both among themselves and with other entities such as non-governmental organizations. Such competition has provided a stimulus to efficiency, but there are also transactions costs. Furthermore, this competition can drive down support cost rates below the full recovery level, distorting comparative advantages.

- Faced with increasing competition for resources, some United Nations system organizations have sought to increase the flow of funds from the private sector, but in general these resources remain a very small component of overall funding from contributions.

- Constraints to effective fund-raising included insufficient knowledge in the secretariats of the new aid modalities and instruments, such as global funds and other public-private partnerships, or policy constraints in accessing such instruments, and the need for relevant guidelines and training for staff concerned.

- Coordination, collaboration and the partnership approach were seen by both the organizations and the donor countries as key success factors in the competitive funding environment.

Resource mobilization strategies

- Organizations commonly have internal guidelines and procedures for interaction with donor Governments and some have developed similar control mechanisms in respect of the private sector. However, corporate resource mobilization strategies that have been formally adopted by the legislative bodies are more common among the funds and programmes that rely fully or heavily on voluntary funding than among the specialized agencies.

- Some organizations have made considerable progress in developing strategies for resource mobilization. With voluntary funding increasingly pervasive in the United Nations system, all organizations will find it increasingly necessary to develop such strategies. The legislative bodies have an important role to play in instigating and supporting these processes.

Decentralized fund-raising

- United Nations reform initiatives of the last decade, and General Assembly decisions in the context of the triennial comprehensive policy reviews of operational activities for

development, have increasingly shifted attention to country-level operations.

- Against this background, the organizations, as well as the donor agencies, are increasingly decentralizing funding processes and activities, but this may give rise to inefficiencies such as duplication and lack of uniformity.

- Executive heads should ensure that the resource mobilization strategy developed for their respective organizations includes a centralized coordinating entity and that the roles, responsibilities and any delegated authorities for resource mobilization are clearly specified in appropriate administrative instruments.

Looking forward

- The system-wide analysis presented in this report has underlined the key importance of adequate and predictable regular/core resources for effective programme delivery in all areas of United Nations endeavour.

- There have been recent initiatives by the various stakeholders concerning the harmonization and effectiveness of development aid, and principles and good practice of humanitarian donorship. Funding issues are a central element in the work of the Secretary-General's High-level Panel on United Nations System-wide Coherence in the areas of development, humanitarian assistance and the environment. The Secretary-General should expedite current reform processes that aim to ensure more predictable financing of the United Nations system.

Recommendations for consideration by legislative organs

- **The legislative bodies of each United Nations fund and programme should establish an intergovernmental working group to develop proposals for a voluntary indicative scale of contributions for core resources, based on the model adopted by UNEP, for the consideration and approval of the legislative bodies.**

- **The legislative bodies of United Nations system organizations should request their respective executive heads to expedite work on the harmonization of support cost recovery policies that is currently being carried out under the auspices of the United Nations System Chief Executives Board for Coordination (CEB).**

- **The legislative bodies of United Nations system organizations should request their respective executive heads to ensure that agreements negotiated with individual donor countries for associate expert/junior professional officer programmes include a funding component for candidates from under- and unrepresented countries.**

- **The legislative bodies of United Nations system organizations that have not already done so should request their respective executive heads to develop a corporate resource mobilization strategy for the consideration and approval of the legislative bodies.**

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ABBREVIATIONS

CCA	Common Country Assessment
CEB	United Nations System Chief Executives Board for Coordination
DAC	Development Assistance Committee
EB	Executive Board
FAO	Food and Agriculture Organization of the United Nations
HLCM	High-level Committee on Management
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ILO	International Labour Organization
IMO	International Maritime Organization
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
JPOs	junior professional officers
MYFF	multi-year funding framework
NGOs	non-governmental organizations
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
RBM	results-based management
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-HABITAT	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office for Drugs and Crime
UNRB	United Nations regular budget
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNWTO	World Tourism Organization
UPU	Universal Postal Union
VISC	voluntary indicative scale of contributions
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. INTRODUCTION

1. In the United Nations multilateral system, priorities are set collectively by all the Member States in the approved programme of work and budget of each organization. It could be expected, therefore, that activities in pursuit of the priorities so established would be funded through the assessed contributions of Member States. Nevertheless, voluntary contributions are a significant component in the overall funding of the United Nations system and have been growing in importance in recent years. The evolution of mandates over time, zero growth in regular budgets, and the shift to national execution by the United Nations Development Programme (UNDP), are among the reasons for the changing balance between assessed and voluntary funding.

2. There is concern in many quarters of the United Nations system about the growth in voluntary contributions, and this report was included in the 2005 work programme of the Joint Inspection Unit (JIU) in response to requests from some of its participating organizations to examine the issues involved. In addition, the JIU's own management assessments of United Nations system organizations pinpointed, in 2004, the conditionality of voluntary funding as a major issue for several organizations.

3. The objective of the review was to analyse recent trends in voluntary funding in United Nations system organizations, determine the impact of those trends on programme delivery, recommend measures to alleviate negative impact, and identify best practice. The report also reviews resource mobilization strategies.

4. In preparing the report, the methodology followed included a preliminary review, questionnaires, interviews and in-depth analysis. A detailed questionnaire was sent to all the participating organizations and the Inspectors then conducted interviews with officials of the United Nations, most of its funds and programmes, most of the specialized agencies and the International Atomic Energy Agency (IAEA). They also sought the views of officials of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), as well as those of representatives of the main donor countries. As part of the review, the Inspectors undertook missions to Nairobi, New York, Paris, Rome and Vienna. Comments from participating organizations on the draft report have been sought and taken into account in finalizing the report.

5. In accordance with article 11.2 of the JIU statute, this report has been finalized after consultation among the Inspectors so as to test its conclusions and recommendations against the collective wisdom of the Unit.

6. To facilitate the handling of the report, and the implementation of its recommendations and the monitoring thereof, annex III contains a table indicating whether the report is submitted to the organizations concerned for action or for information. The table identifies those recommendations which the Inspectors consider relevant for each organization, specifying whether they require, in the view of the Inspectors, a decision by the legislative or governing body of the organization or can be acted upon by its executive head.

7. The Inspectors wish to express their appreciation to all who assisted them in the preparation of this report, and particularly to those who participated in the interviews and so willingly shared their knowledge and expertise.

II. FUNDING MODALITIES AND TRENDS

8. Contributions received by United Nations system organizations are commonly classified in two groups of resources, although terminology, definitions and actual coverage vary from organization to organization. The United Nations, the specialized agencies and IAEA derive a large part of their income from the assessed contributions of Member States – regular budget resources. Voluntary contributions received by these organizations are generally referred to as extrabudgetary resources. For those organizations that rely on voluntary contributions for all or most of their income, it is common to distinguish between core and non-core resources, even though different terminology may be used in the documents of individual organizations.[1] Regular budget/core resources are intended to fund expenses that are fundamental to the existence of an organization and its institutional mandates. Such resources are provided without conditions attached as to their use and can be equated with the notion of "unearmarked contributions", while extrabudgetary/non-core resources are commonly equated with the notion of "earmarked contributions". For the purposes of this report, the participating organizations were asked to provide data for 2000-2005 for both groups of resources, and most responded to this request. Overall trends in this period are analysed below, while trends in individual organizations are presented in annex I.[2]

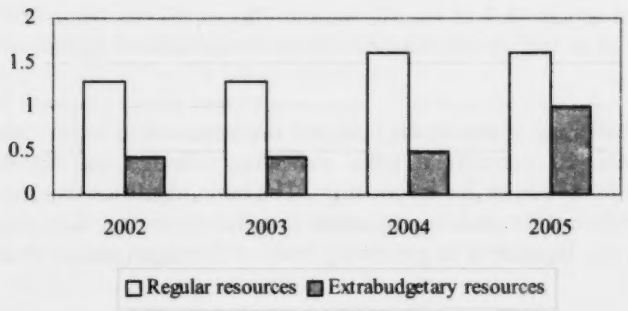
A. United Nations, funds and programmes

9. The Charter of the United Nations states that the General Assembly shall consider and approve the budget of the Organization, and the expenses of the Organization shall be borne by the Members as apportioned by the General Assembly (Article 17). The Charter makes no mention of voluntary funding, but most programmes of the United Nations Secretariat are at least partially funded by voluntary contributions, while the funds, programmes and other bodies established by the General Assembly are entirely, or almost entirely, funded in this way.

Chart 1

United Nations, 2002-2005

(Billions of nominal United States dollars)



Source: CEB data.[3]

[1] The notion of "core" originated with UNDP, and the term was adopted for the common structure of the budgets of UNDP, the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF). See UNICEF Executive Board decision 1998/2 and A/60/74-E/2005/57, paras. 89-92.

[2] The analysis covers resources derived from assessed contributions and voluntary contributions; income from other sources is excluded.

[3] A/61/203: regular resources (approved regular budget), table 1; extrabudgetary resources, table 2.

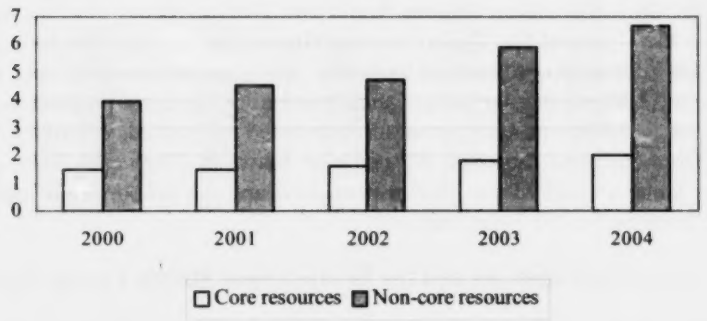
10. The United Nations Secretariat was unable to provide the Inspectors with requested data. Statistics prepared by the United Nations System Chief Executives Board for Coordination (CEB) were used instead, but data on extrabudgetary resources were only available from 2002 (chart 1 above). This short time series suggests a rising trend in extrabudgetary resources, although the surge in 2005 was partly attributable to specific factors, such as the response to natural disasters and the significant weakening of the United States dollar against major donor currencies.

11. The main United Nations funds and programmes – the United Nations Children's Fund (UNICEF), UNDP, the United Nations Population Fund (UNFPA) and the World Food Programme (WFP) – are funded entirely by voluntary contributions. Faced with static or declining core resources of these funds and programmes during the 1990s, the General Assembly directed their governing bodies to adopt a specific and achievable target for core resources, taking into account the relationship between their programme arrangements and financial plans.[4] Multi-year funding frameworks (MYFF) have been adopted in response.

Chart 2

Main United Nations funds and programmes, 2000-2004

(Billions of nominal United States dollars)



Source: Data provided by UNICEF, UNDP, UNFPA and WFP.

12. The combined core and non-core resources from contributions to these four organizations in the period 2000-2004 are shown in chart 2 above. The earlier downward trend in core resources was reversed between 2000 and 2004, and this was accompanied by a strong upward trend in non-core resources, reflecting renewed interest by the donors in funding these organizations. Total resources from all contributions rose by some 58 per cent, although some of the growth in this period can be attributed to specific factors, as noted above. Core and non-core resources grew by some 34 and 67 per cent respectively, and the proportion of non-core resources in total resources thus rose from 72.5 to 76.7 per cent.

13. Other United Nations programmes receive part of their funding from United Nations regular budget resources, including drugs and crime, refugees and environment. Nevertheless, such resources remain a very small part of overall funding for most of the programmes that receive them (see annex I, table 2), and below the levels that were originally foreseen.[5]

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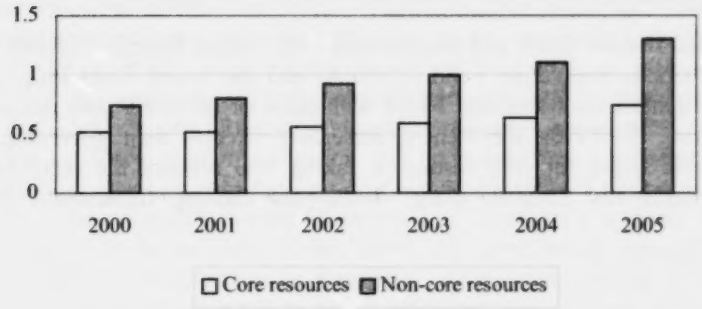
[4] General Assembly resolutions 52/203, para. 6 and 50/227, annex I, para. 12.

[5] The statute of the Office of the United Nations High Commissioner for Refugees (UNHCR) provides that the administrative expenditures of the Office shall be financed under the budget of the United Nations and that all other

Chart 3

Selected United Nations programmes, 2000-2005

(Billions of nominal United States dollars)



Source: Data provided by UNODC, UNHCR, UNRWA and UNEP.

14. Chart 3 above shows the combined core and non-core resources of the United Nations Office on Drugs and Crime (UNODC), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the Office of the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Environment Programme (UNEP). For the purposes of this analysis, resources received from the United Nations regular budget and unearmarked, general purpose voluntary funds were regarded as core resources, while non-core resources comprised earmarked, voluntary contributions. Total resources from contributions rose by some 62 per cent between 2000 and 2005, core and non-core resources growing by some 45 and 73 per cent respectively, and the proportion of non-core resources in total resources rising from 59.5 to 63.7 per cent.

B. Specialized agencies and the International Atomic Energy Agency

15. Article 17 of the Charter of the United Nations provides that the General Assembly shall consider and approve any financial and budgetary arrangements of the specialized agencies and examine their administrative budgets with a view to making recommendations, provisions which are reflected in the relationship agreements between the United Nations and the agencies concerned. The actual funding modalities of the specialized agencies, however, are set out in their constitutions (or equivalent texts) and elaborated in financial regulations. The constitutions provide, in most cases, that the expenses of the approved budget estimates shall be apportioned among the Member States on the basis of a scale to be determined by the supreme legislative body.[6] The constitutions of most organizations foresee some funding in addition to assessed contributions (gifts, bequests, subventions, voluntary contributions), donated by public or private entities. For many of the specialized agencies, as well as IAEA, regular budget resources have traditionally financed the administrative infrastructure and core, normative work, with only limited amounts of such resources going to technical cooperation programmes, which have relied heavily on extrabudgetary resources.

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expenditures shall be financed by voluntary contributions (UNHCR statute annexed to General Assembly resolution 428 (V) of 14 December 1950, article 20). Similarly, the General Assembly resolution establishing UNEP provided for United Nations regular budget funding of the costs of the governing body and a small secretariat; other costs were to be met wholly or partly from a voluntary fund (General Assembly resolution 2997 (XXVII), sect. II, para. 3 and sect. III, para. 1).

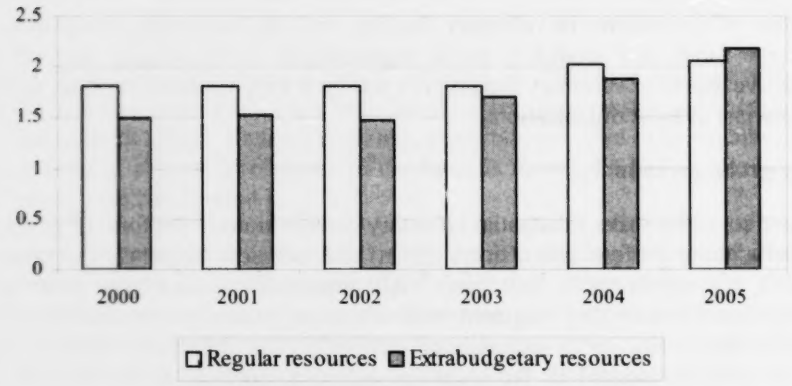
[6] International Telecommunication Union (ITU), Universal Postal Union (UPU) and World Intellectual Property Organization (WIPO) have, however, adopted contributory systems based on voluntary principles.

16. Notwithstanding the provision for some voluntary funding, the Inspectors believe that, for the most part, the intention in the constitutions was for approved budgets to be funded through assessed contributions of the Member States. In the programme budget process, however, the programmes of work that are being approved by Member States may be overly ambitious in relation to the budgets that are approved for their implementation, a situation that was and is exacerbated by zero budget growth policies. The consequent need to supplement regular budget resources derived from assessed contributions with voluntary contributions is underlined by the fact that several organizations, including the International Labour Organization (ILO) and the World Health Organization (WHO), now include estimates for extrabudgetary resources in their programme budget proposals, which has been the practice in the United Nations for many years.

Chart 4

Specialized agencies and IAEA, 2000-2005

(Billions of nominal United States dollars)



Source: Data provided by specialized agencies and IAEA.

17. The combined regular budget resources and extrabudgetary resources of the specialized agencies and IAEA in the period 2000-2005 are shown in chart 4 above. Total resources from contributions rose by some 28 per cent between 2000 and 2005, regular budget and extrabudgetary resources growing by some 12 and 47 per cent respectively, and extrabudgetary resources rising to just over a half of total resources in 2005. As noted above, the influence of specific factors must be taken into account in interpreting these data. Furthermore, there were wide variations in the experiences of different agencies, which are reviewed in annex I below.

III. GROWTH IN VOLUNTARY CONTRIBUTIONS: IMPACT ON PROGRAMME DELIVERY

A. Positive impact of growth in voluntary contributions on programme delivery

Expansion of activities

18. There has been an expansion in the activities of many organizations of the United Nations system that has gathered pace in recent years. While normative work remains important, there has been a major expansion of operational activities in a wide range of fields. In the United Nations this growth has centred on peacekeeping, where there has been a fourfold increase in the total budget since 1998.[7] But there has also been growth in operational activities in other areas, such as humanitarian relief and criminal justice, which has been funded by extrabudgetary resources. Similar trends can be observed in many of the specialized agencies. Voluntary funding has facilitated the growth of such activities.

Stimulus to efficiency

19. The element of uncertainty in voluntary funding, and the increasing recognition of the need to compete for scarce funds, has tended to make organizations more dynamic and efficient. This was considered a positive aspect of voluntary funding not just by the representatives of the donor countries, but also by the secretariats of most organizations.

Value added by gratis personnel

20. Some donor countries make substantial voluntary contributions in the form of gratis personnel, such as associate experts/junior professional officers (JPOs) and technical cooperation experts whose services are accepted on a non-reimbursable loan basis.[8] All organizations considered them to be a valuable resource, and not just because they augment staff resources. Associate experts/JPOs can often inject vitality and fresh ideas, and more experienced personnel can contribute specific expertise. These programmes have been successful in the technical agencies, such as IAEA and the United Nations Industrial Development Organization (UNIDO), where specialist technical skills are required, but are also important in development and humanitarian programmes, such as UNHCR, which currently has about 100 JPOs.

B. Negative impact of growth in voluntary contributions on programme delivery

Lack of predictability

21. Programme delivery under annual or biennial programming cycles depends crucially on the flow of funds. A system of funding based on assessed contributions carries some certainty about the level of funding that an organization can expect to receive in a given time frame. Furthermore, the organizations have recourse to incentives and/or sanctions to improve the level of collection of assessed contributions. The lack of predictability associated with voluntary funding, and the absence of equivalent mechanisms to encourage the payments of pledges, can undermine the planning and delivery of programmes and projects in both the short and longer term. The progressive implementation of results-based management (RBM) in

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[7] A/60/692, paras. 3-6.

[8] The United Nations has distinguished between traditional gratis personnel such as associate experts and technical cooperation experts (type I) and non-traditional gratis personnel (type II) that may only be accepted on an exceptional basis (A/51/688).

United Nations system organizations, with its emphasis on performance and accountability, underlines this dilemma.[9]

22. Lack of predictability and sustainability affect all organizations, but particularly those that depend on voluntary funding for all or almost all of their core resources. Some organizations have tried to address the problem, at least in part, by proposing to Member States that some proportion of the voluntary funding be subject to predictable scales of contribution. UNHCR, for example, put forward proposals in 2003 for a broader funding framework, including a 30 per cent base level model as a means to broaden the UNHCR donor base and address the chronic shortfall in funding.[10] The model was derived from an application of the United Nations scale of assessment to 30 per cent of the UNHCR annual budget, weighted according to the average contributions of a State over the past 10 years, or its contribution in the most recent financial year. All contributions based on the model would be voluntary, and a phased approach to the new system was proposed.

23. In its resolution on implementing actions proposed by UNHCR, the General Assembly did not address the proposed 30 per cent base level model. Instead, it recalled paragraph 20 of the statute of the Office and called for its application.[11] It also reaffirmed the continued voluntary nature of funding of UNHCR and requested States, within their capacities, to contribute to the full funding of the approved budget.[12]

24. In contrast, the UNEP Governing Council adopted in 2002 a voluntary indicative scale of contributions (VISC), initially on a pilot basis, with the objective of increasing predictability in the flow of resources to the Environment Fund. Under this system, contributions were to be calculated on the basis of each country's capacity to pay, with reference to the formula developed for contributions to the United Nations regular budget (see box 1 below).

25. UNEP reported the main results achieved through the introduction of the pilot phase of VISC as a significant broadening of the donor base, and higher voluntary payments to the Environment Fund received from developed countries, countries with economies in transition and developing countries. In addition, financial stability improved, as an absolute majority of countries at least maintained the level of their voluntary payments to the Environment Fund. There was also greater predictability of voluntary contributions to the Environment Fund, as the majority of countries paid above, equal or very close to VISC.[13]

26. While it appears that not all Member States were in favour of the UNEP voluntary indicative scale, the new system has helped to improve the predictability and adequacy of resources, at least in the initial phases. It has also resulted in a wider "ownership" of the organization by Member States with the participation of more countries in the new system, including the least developed countries. Moreover, the United Nations General Assembly has welcomed the progress made in the implementation of the provisions on strengthening the role and financial situation of UNEP, as contained in section III.B of the appendix to Governing Council decision SS.VII/1.[14]

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[9] The alignment of resources with the organization's long-term objectives has been recognized as a key component of RBM. See JIU/REP/2004/6, paras. 40-48.

[10] See "Strengthening the capacity of the Office of the United Nations High Commissioner for Refugees to carry out its mandate" (A/58/410), paras. 53-61.

[11] The pertinent article of the statute provides that administrative expenditures of the Office shall be financed under the budget of the United Nations (see footnote 5 above).

[12] General Assembly resolution 58/153, paras. 7-8.

[13] UNEP/GCSS.IX/INF/6, para. 21.

[14] General Assembly resolutions 60/189, para. 10 and 59/226, para. 12.

Box 1

Voluntary indicative scale of contributions

At its seventh special session in 2002, the Governing Council of UNEP adopted the report of the Open-ended Intergovernmental Group of Ministers or Their Representatives on International Environmental Governance (decision SS.VII/1 of 15 February 2002). Among its recommendations, the Intergovernmental Group proposed the development of a voluntary indicative scale of contributions for the Environment Fund in order to broaden the base of contributions and enhance predictability in the voluntary financing of the Fund (section III.B of the appendix to decision SS.VII/1).

VISC would take into account:

- The United Nations scale of assessment;
- A minimum indicative rate of 0.001 per cent;
- A maximum indicative rate of 22 per cent;
- A maximum indicative rate for the least developed countries of 0.01 per cent;
- Economic and social circumstances of the Member States, in particular those of developing countries and countries with economies in transition;
- Provisions to allow for any Member State to increase its level of contributions over and above its present level.

In developing voluntary indicative scales of contributions for pilot phases in 2003 and 2004-2005, the following were considered important:

- Maintaining the voluntary character of contributions to the Fund;
- Broadening the donor base and inviting all United Nations Member States to consider making regular and adequate contributions to the Fund;
- Maintaining the level of high and adequate contributions by the countries;
- Inviting those countries which at that time were paying below the United Nations scale and below their previous high levels to increase their contributions gradually.

Source: UNEP/GCSS.VII/6; UNEP/GCSS.IX/3.

27. The Inspectors fully support voluntary indicative scales of contributions as a means of improving the predictability and adequacy of resources for those United Nations system organizations facing uncertain core funding. The implementation of the following recommendation is expected to enhance the effectiveness of those organizations in meeting their targets for programme delivery.

Recommendation 1

The legislative bodies of each United Nations fund and programme should establish an intergovernmental working group to develop proposals for a voluntary indicative scale of contributions for core resources, based on the model adopted by UNEP, for the consideration and approval of the legislative bodies.

28. Another approach to improving predictability is target setting within multi-year funding frameworks such as those adopted by UNICEF, UNDP and UNFPA, but the results have been mixed. UNFPA noted that multi-year pledges had become more predictable, but there were problems with transfers and, hence, with cash flow management. UNICEF reported that since the first MYFF annual pledging event in 2000, only 22 per cent of an annual average of 60 donors making pledges had committed to providing contributions for more than one year, and predictability remained a key concern. The Secretary-General has observed that while MYFFs have been effective as planning devices, establishing links between resource benchmarks and targets on a multi-year basis and thus enhancing accountability, they have not yet served to assure a sufficient critical mass of core contributions.[15]

29. Other organizations are also pursuing multi-year funding arrangements. The Office of the United Nations High Commissioner for Human Rights (OHCHR), UNEP and UNRWA, for example, have concluded partnership agreements with several donors for multi-year funding. Several specialized agencies also highlighted initiatives to secure multi-year pledges, or pointed to the need for long-term cooperation agreements with key donors, such as the European Union and the World Bank. The development of general or model agreements and related guidelines was considered important in this regard.

Vulnerability

30. All organizations reported that they receive most of their voluntary funding from a limited number of donor countries, in most cases fewer than ten.[16] While a similarly small number of countries provide the majority of the regular budget resources of those organizations receiving assessed contributions, scales of assessment, which relate actual contributions of countries to their per capita income, help to ensure that the burden is shared reasonably equitably. With the exception of the UNEP voluntary indicative scale of contributions, no parallel mechanisms are in place to help balance voluntary funding among donors.

31. All organizations are vulnerable to a loss of funding if a major contributor withdraws support. In the case of a significant loss in regular budget resources, it is possible that the remaining Member States might cushion at least some of the impact on the programme budget in order to sustain programme delivery. In organizations that are funded entirely or largely by voluntary contributions, the impact on programme delivery may be more severe. This is particularly so when funding ceases abruptly, as UNFPA experienced recently when a major donor withdrew funding. Most organizations, including the specialized agencies, considered their donor base too narrow, with inherent vulnerabilities for programme delivery. This was also the assessment of most of the representatives of donor countries whom the Inspectors met. The adoption of voluntary indicative scales of contributions should help to alleviate this problem (see recommendation 1 above).

Lack of flexibility

32. Most extrabudgetary/non-core resources carry conditionalities, limiting their flexibility for the receiving organization. These funds are earmarked by the donors for existing or specifically designed programmes or projects and/or specific regions or countries, and can be further distinguished by the nature of the restriction, from "soft/light" through to "hard/tight" earmarking. The degree of earmarking may reflect, at least in part, donor support for a particular programme area. Human rights currently enjoys strong support, and about one quarter of OHCHR extrabudgetary resources were free of any conditionalities in 2005, a marked improvement from only 7 per cent unearmarked in 2002.

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[15] A/60/83-E/2005/72, para. 22.

[16] There has been growth in recent years in voluntary funding from emerging donors, but this is still a relatively small proportion of the total.

33. The organizations face a host of difficulties in working with the conditionalities imposed on contributions. WFP, for example, documented 17 donor conditions and the associated effects in an annex to its 2000 resource mobilization strategy. While some of these are specific to the WFP mandate, others have a more general application (see box 2 below.) In 2005, the Executive Board "encouraged WFP to seek a greater proportion of contributions that are multilateral and predictable, given early in the donor's fiscal year without requirements as to their use".[17]

Box 2

The effect of selected donor conditions on WFP

Donor condition	Effect of condition
Donor requires that its contribution be purchased in a specific location.	Undermines WFP ability to base purchasing decisions on price/operational considerations. Also causes problems in purchasing ideal size quantities for operations, which in turn forces WFP to perform multiple purchases, which may cause delays in the arrival of food to beneficiaries.
Donor dictates what commodity can be purchased with its funds.	WFP should be able to decide the most appropriate commodity for the pipeline. As operational requirements change, this donor condition may lead to repeated renegotiation of contributions, long delays in providing food to WFP operations, and pipeline breaks.
Donor contributes from various budgetary sources as legislative constraints prevent full-cost recovery from any one source.	In order to ensure that full-cost recovery is met, WFP must prepare detailed reports accounting for funding from these various sources.
Directed multilateral contributions are restricted for use in specific provinces supported bilaterally by the donor concerned.	Undermines neutrality of WFP assistance and can deny food aid to beneficiaries identified as needy by WFP.
One donor made a contribution to a special operation and decided on the implementing partners and the amount to be paid to the partners.	Undermines WFP authority to choose the most appropriate implementing partners.
A donor requested WFP to distribute its contribution directly to certain beneficiaries in specific regions and in donor-supported settlements.	Undermines neutrality of WFP assistance and prevents WFP from providing assistance where it is most urgently required. Can deny food aid to beneficiaries identified as requiring WFP's assistance.
The confirmation of the contribution and its subsequent availability can be very delayed.	The contribution may need to be reprogrammed and other resources have to be identified to meet operational requirements. Leads to a delay in the arrival of food to beneficiaries.

Source: WFP/EB.3/2000/3-B, annex III.

[17] Decision 2005/EB.2/10; WFP/EB.2/2005/5-B.

34. A working group was established in 2004 by the High-level Committee on Management (HLCM) of CEB on the impact of the changing relationship between regular and voluntary funding on management and programmes. Following its report, a policy statement was adopted by HLCM on behalf of CEB recommending that organizations of the system forego voluntary contributions to which conditions affecting procurement and the recruitment of staff were attached. Exceptions were to be granted by executive heads only when circumstances warranted, and were to be kept to a strict minimum.[18]

35. In an effort to improve flexibility, organizations have launched thematic funding and/or pooled funding initiatives. Thematic funds have fewer restrictions, allowing for longer-term planning while reducing transactions costs and increasing efficiency. The Inspectors were informed that, when introduced in UNICEF in 2003, the initial response from donors was muted, but thematic funding increased rapidly in 2004, and has proved to be particularly effective in large-scale emergencies such as the Indian Ocean tsunami disaster at the end of 2004. UNDP and UNFPA have also established thematic trust funds, and the latter reported positive experiences with such funds for reproductive health commodities and obstetric fistula.

36. Among the specialized agencies, ILO reported that some donors have gradually moved away from earmarking at the project level to broad thematic priorities in accordance with a number of jointly set criteria. The Food and Agriculture Organization of the United Nations (FAO) advised that its strategic/umbrella agreements with specific donors could be characterized as "less earmarked", in that funds were provided to support certain core activities. Relatively "unearmarked" funding modalities included recently introduced strategic partnership programmes with donors, targeted at a broader range of activities, as well as a special fund for emergencies.

37. In the United Nations Educational, Scientific and Cultural Organization (UNESCO), a pooled fund – the Nordic Fund – has been established for the programme Education for All, which has been an important initiative. WHO has introduced a new mechanism to encourage donors to provide funds that can be pooled, and a corporate account for pooled funds has been established that will be used to fill funding gaps. WHO aimed to ensure that all areas of work would have at least 60 per cent financial security for the biennium 2006-2007 by the end of 2006, taking into account the regular budget and available specified and unspecified contributions, then using a small pool of fully flexible resources to bridge remaining gaps.

38. The Inspectors recognize the importance of new initiatives for thematic funding and pooled funding for increasing the flexibility of extrabudgetary/non-core resources received by the organizations and believe that such funding modalities should be a common practice in the United Nations system. The implementation of the following recommendation is expected to enhance the effectiveness of the organizations in meeting their targets for programme delivery.

Recommendation 2

Executive heads should develop, or continue to develop, flexible funding modalities, such as thematic funding and pooled funding, for the consideration and approval of the legislative bodies.

[18] CEB/2004/HLCM/R.3; E/2005/63, p. 23.

39. In 2003, various constituents in the field of humanitarian assistance, including representatives of Governments and multilateral donors, and United Nations institutions, met to endorse principles and good practice in an initiative known as "Good Humanitarian Donorship". The need to ensure predictable and flexible funding for United Nations agencies, funds and programmes and other key humanitarian organizations was recognized, as well as the need to explore possibilities for reduced earmarking and the introduction of longer-term funding arrangements (see paragraph 91 below). The Inspectors acknowledge the importance of this initiative and commend the donors for their commitments in this regard.

Distortion of programme priorities

40. A major concern of the Inspectors has been the potential for voluntary contributions to distort programme priorities – or even mandates – of United Nations system organizations. While they recognize that the risk of distortion of mandates is negligible, as these mandates are generally very broad, the distortion of programme priorities remains a risk, since donors can influence the balance of programmes actually delivered through earmarking of contributions. The Secretary-General has expressed similar concern that the risks of distortion of priorities are high, both at the level of the system as a whole, and in relation to the programme thrust and directions of individual organizations. The outcome may be "a concentration of operational work on particular themes that correspond more to donor preferences than to overall programme priorities defined at the national or international levels".[19]

41. The distortion of programme priorities is not easily measurable, but there are clear indications of the influence that donor preferences can bring to bear, including the over- or underfunding of programmes within the programme cycle, and the relative shares in overall voluntary funding of different programmes and sub-programmes and various regions and countries (some examples are shown in box 3 below). An underlying cause of these imbalances is that in donor countries, funds flow from different government agencies with different mandates and priorities.

42. Faced with such imbalances, it is necessary to devise strategies to enhance compatibility between priorities of organizations and those of the donors. The organizations stressed good communication and regular dialogue between the various stakeholders as key elements in this process, both during and outside of governing body meetings, at headquarters and in the field. It was important to speak increasingly to the donors as a community rather than just one-on-one.

43. WHO reported that intensive discussions were held regularly with about 20 donors on the need for more flexibility and that many had been responsive, particularly to areas of greatest need. There had been an improvement in the balance of implementation of the programme budget in 2004-2005, and further progress was expected in 2006-2007, with peer review in the budget preparation process, and more rigorous monitoring to provide timely information to all stakeholders on the pattern of donations. IAEA also underlined that donors to the nuclear safety and security programme were responsive to guidance on programme priorities. It was important to establish an open and cooperative relationship with the donors and interact upfront, to ensure a distribution of funding that was as close as possible to the priorities.

44. The need for all stakeholders to keep abreast and take account of relevant information and policy developments was emphasized by FAO. This broad awareness includes for instance: the orientations in such key documents as its longer-term Strategic Framework; familiarity with new modalities in the aid environment; the increased focus being placed on implementation of the Millennium Development Goals in pertinent FAO programmes; and the necessary reflection of food and agricultural issues in Poverty Reduction Strategy Papers at the country level. Those who formulated FAO projects had to be actively assisted in order to ensure consistency with the broader policies and priorities approved by the governing bodies.

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[19] A/60/83-E/2005/72, para. 40.

Box 3

Influence of donor preferences on programme priorities

- **UN/OCHA**: Earmarking has created an imbalance in overall funding, with some activities generously funded and others experiencing severe funding shortfalls.
- **UNICEF**: The larger the earmarked other resources component in total resources, the greater is the tendency for UNICEF to become a contractor rather than a partner, and the less influence it has on assigning income to strategic objectives.
- **UNDP**: In 2004, 44 per cent of earmarked programme resources went to one of five core goals, Fostering Democratic Governance, which was twice as much as the second largest core goal, Achieving the Millennium Development Goals and Reducing Human Poverty.
- **UNODC**: Geopolitical factors influence donor earmarking to both projects and regions/countries.
- **UNEP**: There has been a proliferation of trust funds; the allocation of these funds among the sub-programmes has diverged from the priorities set for the Environment Fund by the Governing Council. There is no mechanism to ensure that trust funds are allocated in compliance with the agreed work plan and priorities.
- **UN-HABITAT**: Earmarking has created an imbalance between funds received and the approved work programme, with some programmes overfunded and others only partially implemented.
- **ILO**: Operational programmes had to reconcile the ILO approach and expertise with both the needs and priorities of the constituents and donor preferences, which could result in imbalances in geographic or thematic resource allocation. While no area was overfunded, some, such as Elimination of Child Labour, were more easily funded, but Social Protection and Social Dialogue were less easy to fund.
- **FAO**: The tendency of voluntary contributions to be earmarked, coupled with cumulative cuts in allocations under the regular budget over several bienniums, have resulted in a somewhat uneven field programme, with heavy concentration of work in certain areas, to the detriment of the broad range of requirements for assistance from recipient countries in mandated technical areas.
- **UNESCO**: No programmes were overfunded; some were reasonably well-funded, such as HIV/AIDS preventive education, but this was not the case across the board.
- **WHO**: Heavy reliance on voluntary contributions and their earmarking was a major challenge in trying to ensure effective and balanced implementation of the programme budget, particularly in view of the decentralized structure in six regional offices, and the need to secure adequate funding for all WHO offices and areas of work. In 2002-2003, funds raised overall met the budget target, but funds were not aligned with priorities; in the 35 areas of work, some were overfunded, particularly Emergency Preparedness and Response, and Immunization and Vaccine Development, and some were underfunded, notably Making Pregnancy Safer and Women's Health. The situation improved in 2004-2005, but imbalances remained.

Source: Questionnaire and interview responses.

45. ILO stated its intention to develop a Master Plan for Technical Cooperation, to run in parallel with the Strategic Policy Framework cycle, and consisting of priority outcomes from individual ILO Decent Work Country Programmes and related funding needs. The Plan would provide the donors with a medium-term framework of reference against which resources could be pledged on the basis of individual preferences. Donors were also being encouraged to align their funding cycles to the Strategic Policy Framework in order to enhance the consistency of extrabudgetary programmes with overall priorities and strategies. ILO suggested that there was scope for streamlining interagency mechanisms to work with donors in the framework of national development processes.

46. For the International Maritime Organization (IMO), compatibility between its priorities and those of its donors could be achieved through the development of partnership agreements to ensure that technical cooperation activities to be funded were mutually agreed, a point that would also apply to the many organizations that have established or are developing partnership agreements with the donors.

47. In discussions with donor representatives, different positions emerged. Some pointed out that their Governments did not regard voluntary contributions as a means to influence policies or priorities of the organizations, but rather as a way to help accomplish these priorities, noting that earmarking might target underfunded programmes, or sudden disasters. For some other Governments, however, earmarking was indeed a clear reflection of their interest in certain issues, but with the assurance that stable, multi-year funding would be forthcoming for these issues. It was also stated that earmarking might be linked to a donor's assessment of the management and performance in the different organizations.

48. Donor representatives also pointed out that the urgent need to fund humanitarian emergencies, such as earthquakes and the Indian Ocean tsunami disaster of 2004, could divert funds from other priorities, such as longer-term programmes to build capacity for disaster protection, thus creating distortions. These processes were typically reinforced by high-profile appeals in the media, often by senior United Nations officials, for funding for disasters.

49. As this brief analysis shows, the issue of the influence of donor preferences on programme priorities is complex and multi-faceted, and it is evident that there are no simple solutions. But if current trends continue, the proportion of voluntary funding in total funding will carry on increasing, reinforcing the risk of distortions of programme priorities. This underlines the need for flexible funding modalities, such as thematic funding and pooled funding, which is the subject of recommendation 2 above. The Inspectors also stress the vital importance of regular communication and open dialogue between the various stakeholders. The implementation of the following recommendation is expected to enhance the effectiveness of the organizations in meeting their targets for programme delivery.

Recommendation 3

Executive heads should review the existing policies and procedures of their respective organizations that guide interactions with donor countries and revise them, as appropriate, to ensure that those interactions are conducted in a systematic and open manner.

Extrabudgetary/non-core support to regular/core activities

50. Regular/core resources are the essence of multilateralism, yet some United Nations organizations are facing critical shortages of core resources which are affecting their ability to provide essential core services. In some cases, extrabudgetary/non-core resources are being utilized to close gaps and fund core services.

51. Core resources are the backbone of the funding of United Nations funds and programmes and an essential determinant of the capacity of their offices. A strong programme based on core resources is a prerequisite for the effective deployment of earmarked non-core funds. In both UNICEF and UNDP, the rate of growth of non-core resources has outstripped that of core resources in the period 2000-2004, and non-core resources have risen as a proportion of total resources (see annex I, table 1 below). This gives rise to questions of sustainability as core and non-core resources are not generally interchangeable. Difficulties may occur in maintaining the programme and administrative structures to support and manage growing non-core funding.

52. In UNODC, a sharp fall in the proportion of core resources has increased pressure on the infrastructure and left key management services understaffed; it has been necessary to seek earmarked contributions to continue with the development of results-based management (RBM) and the project management cycle. A time management study conducted by UNODC in 2004 for all its offices showed that extrabudgetary resources were supporting core functions. UNEP also faces a shortage of core funding, with contributions to the Environment Fund, the main source of funding for UNEP activities, continuing to fall short of the budget approved by the governing body, forcing UNEP to scale down its work programme. Non-core resources are financing key substantive functions and a large proportion of UNEP staff.

53. Similarly, in the specialized agencies, voluntary contributions are funding core activities in some instances, such as the aviation security programme of the International Civil Aviation Organization (ICAO). IAEA identifies core activities unfunded in the regular budget which comprise activities that are expected to be financed from extrabudgetary funds, and activities for which no funding is currently foreseen. In those agencies where the proportion of regular budget resources in total resources is falling, it is increasingly likely that at least some core, normative work will be funded from extrabudgetary resources. The Inspectors believe that this is a major cause for concern.

54. In successive resolutions on the triennial comprehensive policy review of operational activities for development of the United Nations system, the General Assembly has reiterated the importance of core resources and called on donor countries, and other countries in a position to do so, to substantially increase their contributions to the core/regular budgets of the United Nations development system, and, wherever possible, to contribute on a multi-year basis.[20]

Subsidization from regular/core to extrabudgetary/non-core resources

55. The management of extrabudgetary/non-core resources requires substantial administrative support, incurring costs. The issue of support costs in United Nations system organizations has been studied extensively, including by JIU in a report issued in 2002.[21] It has been widely recognized that there is some subsidization of these costs by regular/core resources. Indeed, it has been observed that support cost policies of most United Nations system organizations permit such subsidization, whether implicitly or explicitly, and that the "founding principle upon which most United Nations support cost rates are based – the original UNDP formula – considers partial support cost reimbursement…as an appropriate financial

[20] General Assembly resolutions 53/192, sect. B, 56/201, sect. II and 59/250, sect. II.
[21] JIU/REP/2002/3.

expression of partnership".[22] Notwithstanding these considerations, the Inspectors are concerned that such subsidization diverts resources from programmes, projects or activities mandated by legislative organs to those with a narrower, bilateral focus.

56. The 2002 JIU report highlighted a lack of harmonization of support cost recovery policies and practices among organizations of the United Nations system.[23] In response to the recommendations of this report, as well as the deliberations of HLCM, a working group led by UNESCO was set up under the auspices of the CEB Finance and Budget Network. The working group has established the following definitions and principles:

- Direct costs (e.g. project personnel and equipment) should be charged directly to the projects;
- Fixed indirect costs (e.g. senior management) should be financed by regular/core resources;
- Variable indirect costs, also known as programme support costs (e.g. administrative units supporting project activities) should be recovered from the project.

57. The working group recently concluded that "cost recovery policies should encompass both programme support costs and direct costs" and that "both these costs should be fully recovered from extra-budgetary projects".[24] It also reported that collaborative work was in progress to develop methodologies for building standard staff costs.[25] The HLCM of CEB has endorsed the conclusions of the working group, and the United Nations Development Group has agreed to build on these findings in its own work on harmonization of support cost recovery policies. The Inspectors strongly believe that there is an urgent need to expedite the harmonization of support cost recovery policies among United Nations system organizations, building on the findings of the working group of the CEB Finance and Budget Network. The implementation of the following recommendation is expected to lead to management improvement through the development and dissemination of best practice.

Recommendation 4

The legislative bodies of United Nations system organizations should request their respective executive heads to expedite work on the harmonization of support cost recovery policies that is currently being carried out under the auspices of the United Nations System Chief Executives Board for Coordination (CEB).

High transactions costs

58. The management of many different donor cycles and procedures can involve high transactions costs. Among these, onerous reporting requirements of specific donors were frequently seen as a problem by the organizations. Small earmarked contributions also carry relatively high administrative costs, but discouraging such donations risks creating a disincentive effect.

Programming issues

59. Some secretariats indicated that the constant pressure to raise funds might influence their programming decisions. Programmes dealing with themes that were currently high profile, such as post-

[22] Ibid., paras. 11-15.
[23] Ibid., paras. 57-65 and recommendation 11.
[24] CEB/2005/5, paras. 48-54.
[25] A feasibility study of the technical aspects of applying cost-accounting principles in the United Nations Secretariat has been undertaken by consultants and a more comprehensive report will be submitted to the sixty-first session of the General Assembly (A/60/714).

conflict support, may attract funding relatively more easily than other themes that might fit better with the programme priorities of the organization. Thus competition for resources may increase the risk of distortion of programme priorities. Another issue related to the selectivity of earmarking that resulted in fragmentation in programme delivery, which was seen as a particular problem by UNIDO in its efforts to deliver integrated programmes.

Diversion of resources to fund-raising activities

60. Organizations must spend resources in order to raise resources. As the proportion of extrabudgetary/non-core resources in total resources rises, and the competition for such resources increases, so it has become necessary to devote more time and effort to fund-raising activities. Annex II of this report gives an overview of the current resource mobilization strategies, structures and procedures of United Nations system organizations. Fund-raising is a labour-intensive activity and structures that support it must be staffed with experienced professionals and adequate support personnel, diverting resources from programme and project activities.

Human resources issues

61. United Nations staff rules limit the extension of contracts of experts recruited to work on projects, and this was considered to be a problem for programme delivery by one of the technical agencies employing highly specialized experts. Other organizations considered that the temporary nature of the contracts of staff recruited against extrabudgetary funds could lower morale and create disincentive effects. Staff morale might also be adversely affected by the use of gratis personnel if it was perceived that such personnel have an advantage in subsequent recruitment, competitive or otherwise. Most organizations reported that they applied strict rules to subsequent recruitment, but some acknowledged that such personnel might have a comparative advantage. Disincentive effects might also occur in cases where gratis personnel have more favourable conditions of employment than regular staff.

62. The impact on programme delivery of such human resources issues is not easy to determine, but they remain a concern to several organizations. The Inspectors have been particularly concerned that, in most organizations, associate experts/JPOs are drawn only from developed countries, believing that there should be a more balanced geographical representation. Implementation of the following recommendation is expected to increase the effectiveness of such programmes.

Recommendation 5

The legislative bodies of United Nations system organizations should request their respective executive heads to ensure that agreements negotiated with individual donor countries for associate expert/junior professional officer programmes include a funding component for candidates from under- and unrepresented countries.

IV. FUNDING DYNAMICS

A. Competition for resources

63. While voluntary funding is increasing, such resources are still scarce relative to demand, and United Nations system organizations compete for them, both among themselves and with other entities such as non-governmental organizations (NGOs). The extent of this competition depends on several factors, including the uniqueness of individual mandates and associated comparative advantages. Most organizations, be they technical specialized agencies, funds or programmes, reported specific instances where they were competing with other United Nations system organizations to fund activities in similar programme areas, one common example being HIV/AIDS. There was a consensus among the organizations that such competition was generally healthy, as well as a recognition of the need to constantly strive to improve programme delivery and reporting to maintain trust established with the donors – a view echoed by the donors themselves.

64. Some United Nations system organizations emphasized the growth of competition from the NGO sector in the last ten years, particularly from the largest NGOs from both the northern and, more recently, southern hemispheres. These could attract sufficient government funding to compete directly at the country level, particularly in humanitarian programmes. UNHCR, for example, has traditionally used NGOs as implementing agencies, but some of these were now being funded directly by the donors, and the proportion of the UNHCR budget going to implementing agencies had fallen sharply in the last ten years. One donor country considered that NGOs were more efficient and effective and less bureaucratic than United Nations system organizations, and channelled a major part of its voluntary funding through them, but this view was not necessarily shared by other donors.

65. While the benefits of competition were generally acknowledged, some organizations pointed to the costs involved in time-consuming and possibly fruitless efforts to raise funds. Furthermore, where resources were allocated through a competitive bidding process, a number of other difficulties could arise, including incompatibility of legal and financial rules, short time frames for preparing technical and financial proposals, and terms of reference that were fixed in advance. ILO, for example, found that such considerations imposed some constraints on its involvement in tender operations for projects funded by development banks, the European Union and bilateral donor agencies. [26]

66. A further negative effect of competition for resources related to support cost rates. United Nations system organizations use multiple support cost rates, typically ranging from a 13 per cent standard rate down to zero.[27] While this multiplicity of rates may be justified in many instances by the diversity and labour intensiveness of programme activities, funding arrangements and cost structures, it is evident that competition for scarce extrabudgetary/non-core resources is also a factor in setting support cost rates. The JIU 2002 report on support costs found that competition between the specialized agencies for extrabudgetary/non-core resources on the basis of support cost rates was relatively limited, since these agencies tended to operate in separate markets. Competition was stronger, however, between United Nations system organizations with similar or overlapping mandates in fields such as development or humanitarian assistance; in these cases donors were more likely to be influenced by support cost rates. [28]

67. In the absence of a system-wide cost measurement exercise, there is no evidence to suggest that relatively lower support cost rates applied by some United Nations system organizations are correlated with higher efficiency. Nevertheless, donors may regard lower rates as an indicator of efficiency, and the

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[26] GB.291/TC/1, para. 15.4.

[27] For a review of extrabudgetary support cost rates applied by eight United Nations system organizations, see JIU/REP/2002/3, pp. 12-13.

[28] Ibid., paras. 53-56.

significance of the associated comparative advantage in resource mobilization to the organizations concerned should not be underestimated. In this regard, the UNDP practice of incorporating indirect support costs as part of the cost of substantive UNDP project inputs and expenditures has been seen as a particular concern as it would seem to distort comparative advantages in favour of UNDP.[29]

B. Private sector funding

68. United Nations system collaboration with the private sector is not a new phenomenon, but there have been fresh initiatives in recent years, including the growth of global funds and foundations and other public-private partnerships. Faced with increasing competition for resources, some United Nations system organizations have sought to increase the flow of funds from the private sector.

Table 1

Funding from the private sector, NGOs and individuals: selected United Nations system organizations

United Nations funds and programmes	Resources from private sector, NGOs and individuals as a proportion of total resources[a] *(per cent)*		Specialized agencies and IAEA	Resources from private sector, NGOs and individuals as a proportion of total resources[a] *(per cent)*	
	2000	2005		2000	2005
UNICEF	36.4	32.9[b]	ILO	0.4	0.8
UNFPA	4.3	2.2	UNESCO	1.7	3.1
WFP	0.3	0.9	WHO	21.6[c]	11.4
UNODC	0.9	1.5	ITU	3.3	7.8
UNHCR	2.0	2.7	UNIDO	0.9	1.8
UNRWA	0.5	3.4	IAEA	0.8	1.7

Source: Data provided by the organizations.

[a] *Total resources includes assessed and voluntary contributions, but excludes income from other sources.*
[b] *2004.*
[c] *Reflects one-off receipt of in-kind contributions.*

69. Data provided by the organizations on contributions from the private sector, NGOs and private individuals for the period 2000-2005 showed year-on-year fluctuations in most cases, and no clearly discernible trends. In most organizations, these resources remain a very small component of overall funding from contributions (table 1). Among the funds and programmes, UNICEF remains the exception with about one third of its annual income raised by its 37 National Committees. Among the specialized agencies, only WHO reported significant amounts of funding from the private sector/NGOs/individuals.

[29] Ibid., paras. 41-42 and recommendation 7.

70. While most organizations recognized the potential of the private sector as a source of funding, some pointed to the need to determine an appropriate policy and put in place adequate instruments for receiving funds from corporate and individual donors in the private sector.

C. Constraints to effective fund-raising

71. The Inspectors sought the views of the secretariats on current constraints to effective fund-raising. While many pointed to factors that were specific to their organizations, some commonalities emerged, including insufficient knowledge in the secretariats of the new aid modalities and instruments, such as global funds and other public-private partnerships, or policy constraints in accessing such instruments, and the need for relevant guidelines and training for staff concerned. Failure to demonstrate the potential of United Nations system organizations to add value also constrained fund-raising, and this was attributed to inadequacies in communications, including public relations and marketing. Some secretariats believed there was a strong donor perception of uncoordinated approaches among the partners, duplication and inefficiency, which had a negative impact on fund-raising. Other constraints included donor conditionality, short and rigid budgeting cycles and unrealistic time frames, bureaucratic procedures, and limited absorptive capacity.

D. Partnerships

72. Coordination, collaboration and the partnership approach were seen by the organizations as key factors in the competitive funding environment. ILO, for example, reported that it increasingly coordinated its programming in the context of the United Nations Development Assistance Framework (UNDAF) and Poverty Reduction Strategy Papers and expected in the future to take part in joint fund-raising efforts, especially at the country level. FAO sought as a matter of policy to join in partnerships with other United Nations system organizations to carry out activities of global, interregional, regional or subregional impact, such as the fight against avian influenza. UNDP had established a Bureau for Resources and Strategic Partnerships. UNICEF indicated that substantive issues such as HIV/AIDS had also enhanced agency collaboration, especially between the co-sponsors of the United Nations Joint Programme on HIV/AIDS (UNAIDS). Some organizations thought that while mechanisms such as UNDAF had improved the coordination of programming at the country level in recent years, more could be done.

73. Donor countries attached great importance to coordination between United Nations system organizations, particularly in humanitarian activities, and some indicated that collaboration with local NGOs was essential. The need to develop partnerships among the various stakeholders was emphasized by both the donor countries and the organizations themselves.

V. RESOURCE MOBILIZATION STRATEGIES

74. Strengthening the financial situation of United Nations system organizations is a concern of both the governing bodies and the secretariats of the respective organizations, with executive heads reporting regularly on measures to improve funding levels, be it the collection of assessed or pledged contributions, or the raising of additional funds. The organizations are committed to seeking new ways to augment their resources and some are in the process of developing, or updating, resource mobilization policies and strategies to guide these efforts more systematically. Such strategies are designed to strengthen the capacity of the organizations to implement their mandates by increasing funding from both traditional and non-traditional sources, improving stability and predictability, broadening the donor base, and stimulating the use of innovative fund-raising techniques.

75. An overview of resource mobilization strategies, structures and practices of United Nations system organizations is contained in annex II, and some are reviewed in more detail below. The Inspectors found that organizations commonly have internal guidelines and procedures for interactions with donor Governments and some have developed similar control mechanisms in respect of the private sector. As might be expected, however, corporate resource mobilization strategies that have been formally adopted by the legislative bodies are more common among the funds and programmes that rely fully or heavily on voluntary funding than among the specialized agencies.

A. Strategies for resource mobilization

Selected funds and programmes

76. In adopting measures in the mid-1990s for the restructuring and revitalization of the United Nations in the economic, social and related fields, the General Assembly recognized the need for a substantial increase in resources for operational activities for development on a predictable, continuous and assured basis (resolution 50/227). It also stated that the fundamental characteristics of these operational activities should be their universal, voluntary and grant nature, their neutrality and their multilateralism, as well as their ability to respond to the needs of the developing countries in a flexible manner. The governing bodies of UNICEF, UNDP, UNFPA and WFP were accordingly called upon to adopt a specific and realistic target for core resources, based on their programme needs and specific mandates.[30] Funding strategies were developed and adopted accordingly.

77. The 1998 resource mobilization strategy of UNICEF was clearly articulated in a comprehensive strategy document, approved by its Executive Board, that focused on increased and more predictable core resources, increased burden-sharing and supplementary funding issues, including thematic, multi-country approaches and reporting.[31] It also identified key activities of the secretariat undertaken to support the strategy, including communications, private sector fund-raising and field office activities. Country offices were asked to develop national fund-raising strategies for supplementary funding as part of the country planning processes.

78. The UNICEF strategy was being updated in 2006 to take account of the current orientation of the funding environment, such as decentralization, the growth of global partnerships and foundations, grant-based funding, direct budget support, and United Nations reform and harmonization, including mechanisms for passing funds through joint programming. The new strategy will recognize the new approaches, the changing profile of development cooperation and national priorities for assistance, as well as related staff capacities at the country level.

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[30] General Assembly resolutions 50/227, annex I, paras. 1, 4 and 12 and 52/203, fourth preambular paragraph and para. 6.

[31] E/ICEF/1999/5.

79. The UNDP funding strategy, as set out in Executive Board decision 98/23, adopted annual funding targets and a multi-year funding framework (MYFF) that integrates programme objectives, resources, budget and outcomes, with the objective of increasing core resources. It encourages member countries to announce their core voluntary contributions on a three-year cycle, for those in a position to do so, along with their payments schedules. MYFF as it has developed now consists of two components: the Strategic Results Framework and the Integrated Resources Framework. The latter brings together all funding sources – both core and non-core resources – covering programme, programme support, management and administration and support to operational activities of the United Nations.[32]

80. At the request of its Executive Board (decision 98/2), UNDP undertook an evaluation of non-core resources in 2001. The evaluation included a recommendation for the adoption of a differentiated approach to resource mobilization.[33] Overall the resource mobilization strategy would be driven by clearly articulated principles, but at the field level the specifics of the strategy were likely to vary from country to country, reflecting different country and regional circumstances. As part of the overall strategy, the identification of emerging sources of finance was as essential as the strengthening of partnerships with key bilateral and multilateral agencies. Clear global agreements with the donors would greatly facilitate similar agreements at the country level. And UNDP would have to make a clear commitment to resource mobilization in support of key development priorities. Finally, the competencies and skills of UNDP country office teams needed to be substantially upgraded, focusing on results orientation, substantive and technical competencies in the thematic areas of priority, and leadership and entrepreneurship. The UNDP Executive Board has not formally adopted the recommended resource mobilization strategy, simply taking note of the evaluation report in 2002.[34]

81. WFP reviewed its fund-raising strategies in 1999 in response to General Assembly resolutions 50/227 and 52/203, as well as the findings of its own working group on resource and long-term financing policies. The resource mobilization strategy adopted by the Executive Board in 2000 sought to enhance predictability by encouraging donors to communicate multi-year indicative pledges, based on their Food Aid Convention commitments, and by seeking standard agreements with individual donor Governments in order to provide an estimate of expected annual resources.[35] Measures to promote multilateral contributions and to reduce conditionalities aimed to improve flexibility, while security of resources could be enhanced by greater burden sharing among new and existing donors. The importance of the private sector in raising public awareness of WFP, and as a source of new resources, was recognized. Measures were proposed to address funding for development, and the response to emergencies including "forgotten" emergencies, as well as internal procedures, such as streamlined standardized project reporting.

82. In the period 2000-2005, WFP took further measures to enhance its resource mobilization capacities, including decentralization of some activities with a view to strengthening relationships with its existing donor community. It also adopted a strategy to engage additional Governments and private entities in order to broaden its donor base.[36] For those potential donor Governments not having the capacity to meet full-cost recovery, but meeting certain eligibility criteria, assistance was proposed in the form of various twinning arrangements. Guided by the framework for private-donor cooperation established by the United Nations Global Compact, a private-donor strategy was developed that was demand-driven and based on WFP needs.

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[32] "Second multi-year funding framework, 2004-2007", DP/2003/32.
[33] "Evaluation of non-core resources", UNDP Evaluation Office, June 2001, sect. 9.4, submitted to the Executive Board as DP/2001/CRP.12.
[34] DP/2003/2.
[35] WFP/EB.3/2000/13; WFP/EB.3/2000/3-B.
[36] WFP/EB.3/2004/15; WFP/EB.3/2004/4-C.

The development of the UNEP resource mobilization strategy was also prompted by General embly resolution 50/227, as well as various decisions of its legislative body in the period 1997-2000. objectives of the strategy were to stabilize, increase and make more predictable the financing of EP activities from traditional sources, to broaden the donor base within the governmental and non-ernmental sectors, and to stimulate creative fund-raising.[37] Measures to mobilize additional funds from itional sources included encouragement of collective commitments from groups of countries to meet et proportions of the approved programme budget, and strategic planning of financial and programme nerships with regional and global funding mechanisms. Private sector fund-raising would be ducted strictly within guidelines issued by the Secretary-General relating to cooperation between the ted Nations and the business community, but the need for innovative approaches in this competitive or was also recognized.

ected specialized agencies

The ILO Governing Body adopted a resource mobilization strategy in 2004. The strategy identified ain challenges, including the need to broaden and consolidate the donor resource base, and strike a er sectoral and geographical balance in technical cooperation activities. Ensuring the longer-term tinuity of technical cooperation efforts was another issue, as well as the high transactions costs of or-specific procedures.[38] To address these challenges, ILO is seeking to enter into partnership eements with a greater number of donors on the basis of multi-annual funding and decision-making hanisms that are in line with its own programming cycles and strategic priorities. An enhanced role is envisaged for ILO field offices, by negotiating with donor representatives at the local level to ilize additional resources. To implement the strategy, ILO is taking steps to improve its internal hanisms for resource mobilization and has focused on a number of key elements that are elaborated in port to the 2006 session of the International Labour Conference.[39]

Following in-house consultations, the WHO secretariat developed a comprehensive framework for urce mobilization in 2005, which recommended new approaches, including the creation of a resource ilization service to provide service-oriented coordination and support to offices and staff at each level he Organization to enable them to interact more effectively with donors.[40] An advisory group of senior nagers would provide guidance to the resource mobilization service and set objectives and targets, le resource mobilization training and capacity-building would be made available to a wide range of f. Measures to enhance resource mobilization at the country level are also proposed, including greater egation of authority to country representatives, and the inclusion of resource mobilization as an ective in country cooperation strategies. A clear corporate communications and advocacy strategy, and funding mechanisms, are also envisaged, and a two-year staged implementation is planned. The urce mobilization framework provides the basis for further consultations and the eventual elopment of organization-wide resource mobilization policies and strategies. In addition, WHO has n involved in extensive discussions with its Member State donor community to encourage monization and alignment of contributions in accordance with the approved Programme Budget, as l as the simplification of the associated management requirements.

As the brief review above indicates, some organizations have made considerable progress in eloping strategies for resource mobilization. With voluntary funding increasingly pervasive in the ted Nations system, all organizations will find it increasingly necessary to develop such strategies. The ectors are of the view that the legislative bodies have a crucial role to play in instigating and

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NEP/GC.21/7/Add.1.

B.291/TC/1, November 2004, sect. II.

The role of the ILO in technical cooperation", International Labour Conference, 95th session, 2006, report VI, III.

Resource Mobilization Framework", WHO, December 2005.

supporting these processes, and believe that the implementation of the following recommendation will enhance the effectiveness of the organizations in meeting their targets for programme delivery.

Recommendation 6

The legislative bodies of United Nations system organizations that have not already done so should request their respective executive heads to develop a corporate resource mobilization strategy for the consideration and approval of the legislative bodies.

B. Decentralized fund-raising

87. United Nations reform initiatives of the last decade, and General Assembly decisions in the context of the triennial comprehensive policy reviews of operational activities for development, have increasingly shifted attention to country-level operations. Greater harmonization is being sought through the United Nations Resident Coordinator system, Common Country Assessments and United Nations Development Assistance Frameworks (CCA/UNDAF), and national development plans, with an emphasis on programming complementarities and integration. Similar efforts are being applied in the humanitarian field through the Office for the Coordination of Humanitarian Affairs (OCHA) and the Consolidated Appeals Process that was launched in 1994. Against this background, United Nations system organizations, as well as the donor agencies, are increasingly decentralizing funding processes and activities. In ILO, for example, locally mobilized funds represented some 15 per cent of total technical cooperation funding in 2002, but this had risen to some 25 per cent in 2004.

88. As is shown in annex II, the majority of United Nations system organizations raise funds at the country level, and it is also commonplace for the technical departments of various agencies to make direct contacts with donors. However, multiple approaches may not necessarily be optimal in terms of the organization's programme priorities, and may entail other inefficiencies such as duplication, lack of uniformity, and misunderstandings. The UNHCR comprehensive guide for field offices on donor relations and resource mobilization uses case studies to illustrate the problems that can arise from lack of coordination in fund-raising activities between field offices and headquarters, and the possible consequences for donor relations. Organizations recognize the need for centralized coordination of resource mobilization to avoid such problems. The Inspectors believe that the implementation of the following recommendation will enhance efficiency in resource mobilization activities.

Recommendation 7

Executive heads should ensure that the resource mobilization strategy developed for their respective organizations includes a centralized coordinating entity and that the roles, responsibilities and any delegated authorities for resource mobilization are clearly specified in appropriate administrative instruments.

VI. LOOKING FORWARD

89. The Secretary-General has stated, in his report entitled "Funding options and modalities for financing operational activities for development of the United Nations system", that "the insufficiency of core resources for both administration and programme development represents the single most important constraint on the performance of development entities".[41] The system-wide analysis presented by the Inspectors in this report has underlined the key importance of adequate and predictable regular/core resources for effective programme delivery, not just in the field of development, but in all areas of United Nations endeavour.

90. Recent initiatives acknowledge the need for change. In the Rome Declaration on Harmonization of February 2003, the multilateral and bilateral development institutions and multilateral financial institutions, and partner countries, recognizing the need for improvements in development effectiveness, identified the key importance of a country-based approach, emphasizing country ownership, government leadership, and capacity-building, as well as diverse aid modalities. In the Paris Declaration on Aid Effectiveness of March 2005, ministers of developed and developing countries responsible for promoting development, and heads of multilateral and bilateral development institutions, resolved to take far-reaching actions to reform the ways they delivered and managed aid, agreeing to introduce indicators to monitor progress in terms of ownership, harmonization, alignment, results and mutual accountability.

91. In the field of humanitarian assistance, the various constituents endorsed, in Stockholm in 2003, Principles and Good Practice of Humanitarian Donorship (see paragraph 39 above). The good practices covered donor financing, management and accountability, including the recognition that changing needs in humanitarian crises required a dynamic and flexible response, and a commitment to strive to ensure predictability and flexibility in funding to United Nations agencies, funds and programmes and other key humanitarian organizations.

92. In response to the 2005 World Summit Outcome, the Secretary-General established, in February 2006, a High-level Panel to explore how the United Nations system could work more coherently and effectively at the global level in the areas of development, humanitarian assistance and the environment. The terms of reference of the Panel included "[t]he broad issue of more predictable financing of the UN system...and its impact on existing systems and proposed reform...".[42] The Panel has held consultations with the various stakeholders, including one on "funding for results", where it reviewed the current situation and various options for funding.[43] The Inspectors commend the Secretary-General for his initiative in establishing the Panel and for ensuring that funding issues were a central element of its work.[44] They urge him to expedite current reform processes that aim to ensure more predictable financing of the United Nations system.

93. Heads of State and Government, in adopting the 2005 World Summit Outcome, reaffirmed "the vital importance of an effective multilateral system" and underlined "the central role of the United Nations".[45] It is the earnest hope of the Inspectors that this reaffirmation will ensure that adequate, predictable and assured regular/core funding will be forthcoming to sustain the United Nations multilateral system over the longer term.

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[41] A/60/83-E/2005/72, para. 20.
[42] http://www.un.org/events/panel/html/page2.html.
[43] http://www.un.org/events/panel/html/page3.html.
[44] The report of the High-level Panel was issued as this report was being finalized.
[45] See General Assembly resolution 60/1, para. 6.

Annex I

TRENDS IN FUNDING, 2000-2005[1]

1. In all organizations, specific factors have influenced growth rates in this time period, including the decline in value of the United States dollar against other currencies, and funding responses to natural disasters.

United Nations offices, funds and programmes

2. Humanitarian affairs relies heavily on extrabudgetary funding, with only 11 per cent of the overall budget of OCHA coming from the United Nations regular budget in 2005. Voluntary contributions to OCHA increased sharply in 2004 compared with 2003, partly because of donor responses to natural disasters.

3. Total resources of OHCHR rose by 90 per cent between 2000 and 2005, regular budget resources and extrabudgetary resources increasing by some 70 and 100 per cent respectively, with extrabudgetary resources accounting for two thirds of total resources in 2005. Following the recommendation of the 2005 World Summit, the General Assembly decided to double the regular budget funding for OHCHR over five years.

Table 1

Main United Nations funds and programmes

	Rate of growth of core and non-core resources, 2000-2005 *(per cent)*		**Non-core resources as a proportion of total resources** *(per cent)*	
	Core	**Non-core**	**2000**	**2005**
UNICEF	*35.5*[a]	*101.7*	49.7	*59.6*
UNDP	*32.8*	*96.9*	71.3	*78.6*
UNFPA	36.9	35.4	35.8	35.5
WFP	11.6	63.3	98.9	99.3

Source: Data provided by UNICEF, UNDP, UNFPA and WFP.

[a] *Data in italics is for 2004.*

4. In UNFPA, both core and non-core resources rose by just over one third between 2000 and 2005, and non-core contributions remained about one third of total contributions. UNDP and UNICEF experienced similar core growth rates, but non-core contributions grew three times faster than core contributions, so that the proportion of non-core contributions in total contributions rose sharply, to some 79 and 60 per cent respectively. Among these organizations, only UNICEF derives significant voluntary funding from private sector sources; it increased more than 50 per cent between 2000 and 2005.

5. Only a very small proportion of WFP resources are received as unearmarked multilateral cash (core) contributions; the rest is earmarked – directed multilateral contributions received as cash or in kind goods and services. While the level of both types of resources fluctuated between 2000 and 2005, the growth of unearmarked multilateral cash contributions was much slower than that of directed multilateral contributions.

[1] The analysis covers resources derived from assessed contributions and voluntary contributions; income from other sources is excluded.

Table 2

Selected United Nations programmes

	Rate of growth of core and non-core resources, 2000-2005 (*per cent*)				UNRB resources as a proportion of total resources (*per cent*)		Non-core resources as a proportion of total resources (*per cent*)	
	UNRB resources	Other core	Total core[a]	Non-core	2000	2005	2000	2005
UNODC	61.5	5.5	29.5	111.3	14.2	12.5	66.9	76.6
UNHCR	96.4	70.5	73.9	52.0	2.7	3.4	79.6	77.3
UNRWA	48.4	41.1	41.5	119.2	3.6	3.4	23.6	32.4
UNEP	20.5	8.9	9.7	56.3	4.3	4.1	37.1	45.7

Source: Data provided by UNODC, UNHCR, UNRWA and UNEP.

[a] *Total core comprises both United Nations regular budget (UNRB) and other core resources.*

6. A restructuring in 2003 created a consolidated programme for drugs and crime. On a consolidated basis, UNRB resources increased by some 62 per cent between 2000 and 2005 in UNODC, but declined as a proportion of total resources. Non-core resources grew nearly four times faster than total core resources, so that the proportion of non-core in total resources rose sharply from some 67 to 77 per cent. The declining proportion and unpredictability of general purpose funds has been a particular challenge to UNODC in delivering its mandated drugs programme. The need to secure assured and predictable voluntary funding for this programme has been the subject of recent resolutions of its governing body.[2]

7. The statute of UNHCR provides that the administrative expenses of the Office shall be met from United Nations regular budget resources (see paragraph 13, footnote 5 above). While funding from this source increased by some 96 per cent between 2000 and 2005, it remained less than 4 per cent of total resources in 2005 and a sizeable proportion of the administrative expenses were being met from voluntary contributions. With total core resources increasing faster than non-core resources in this period, the proportion of non-core in total resources fell slightly. Private sector fund-raising initiatives doubled resources from this sector between 2000 and 2005, but its share in overall resources remained very small at less than 3 per cent.

8. UNRWA receives United Nations regular budget resources to fund its international staff, but this constituted less than 4 per cent of total resources in 2005. Most of the UNRWA regular budget and all of its projects and emergency budgets are dependent on voluntary contributions. UNRWA core activities are implemented with funds stemming from its regular budget and donors usually contribute unearmarked funds for this purpose. All contributions to projects and emergency activities are earmarked, and overall there has been a tendency to more earmarking, with the proportion of non-core resources in total resources rising from some 24 to 32 per cent between 2000 and 2005, although UNRWA is not greatly concerned by this growth.

9. There is provision for United Nations regular budget funding of the costs of the UNEP governing body and a small secretariat (paragraph 13, footnote 5 above). As voluntary funding has increased, both as unearmarked contributions to the Environment Fund and earmarked contributions to a growing number of trust funds, so the proportion of United Nations regular budget resources in total resources has fallen, to some 4 per cent in 2005. In the period 2000-2005, non-core resources grew more rapidly than total core resources, so that

[2] Commission on Narcotic Drugs, resolutions 46/9 and 48/3.

the proportion of non-core in total resources rose from some 37 to 46 per cent. Some of this increase was attributable to specific factors, however, including funding for the Rotterdam and Stockholm Conventions.

10. The United Nations Human Settlements Programme (UN-HABITAT) also receives income for core mandated activities from United Nations regular budget resources. In 2004, 20 per cent of total income was unearmarked (9 per cent regular budget resources and 11 per cent core, general purpose voluntary contributions); the rest was voluntary contributions earmarked to specific projects in specific countries.[3]

Specialized agencies and IAEA

11. In the period reviewed, voluntary contributions fluctuated from year to year in most of the agencies, and hence the growth rates may be influenced by year-specific factors and should be interpreted with caution.

Table 3

Specialized agencies[a] and IAEA

	Rate of growth, 2000-2005[b] *(per cent)*		Extrabudgetary resources as a proportion of total resources *(per cent)*	
	Regular budget resources	**Extra-budgetary resources**	**2000**	**2005**
ILO	13.3	36.2	35.7	40.0
FAO	16.9	2.1	49.7	46.3
UNESCO	12.0	70.6	42.9	53.3
WHO	1.0	53.8	60.3	69.8
ITU	-4.4	-5.4	11.1	11.0
WMO	0.8	7.0	25.7	26.8
IMO	43.9	62.7	21.7	23.8
UNIDO	47.7	151.5	51.1	64.1
UNWTO	56.9	102.6	6.5	8.2
IAEA	28.1	45.7	27.8	30.4

Source: Data provided by specialized agencies and IAEA

[a] *Excluding ICAO and WIPO, which derive a large part of their income from other sources.*
[b] *Data in currencies other than United States dollars converted to dollars using United Nations operational rates of exchange; exchange ratios are therefore reflected in some of these growth rates.*

12. ILO receives voluntary contributions from member countries and partner organizations, mostly for technical cooperation programmes or projects. With some fluctuations, extrabudgetary resources rose between 2000 and 2005 by some 36 per cent, against an increase in regular budget resources of some 13 per cent, and the proportion of extrabudgetary resources in total resources rose slightly to 40 per cent. Most voluntary contributions were earmarked to specific programmes or projects.

[3] UN-HABITAT Annual Report 2005, p. 33.

13. Voluntary contributions to FAO relate to donor-funded technical cooperation. There were mild fluctuations in extrabudgetary resources in the period considered, giving a growth rate of about 2 per cent. A rise in 2004-2005 was mainly linked to assistance in emergencies and unilateral trust fund agreements. With zero nominal growth in the regular budget for several bienniums, assessed contributions were static until 2004-2005, the increase in that biennium accounting for the 17 per cent increase for the period. The proportion of extrabudgetary resources in total resources fell slightly between 2000 and 2005. Most voluntary contributions were earmarked.

14. UNESCO has experienced zero nominal growth in the regular budget in most recent bienniums, and the share of extrabudgetary resources in total resources rose by some 10 percentage points between 2000 and 2005, to more than 50 per cent. However, there were strong fluctuations in the growth in extrabudgetary resources in this time period, partly reflecting specific factors such as allocations to a large self-benefiting fund-in-trust for one country, as well as the oil-for-food programme. All voluntary contributions were earmarked to specific programmes or projects, countries or regions.

15. At WHO, the changing balance between assessed and voluntary contributions has been particularly significant, with a clear upward trend in extrabudgetary (supplementary) funding, against a background of virtually zero growth in regular budget resources. This trend was set to continue in 2006-2007, with 72 per cent of resources in the programme budget estimated to come from voluntary sources, the highest proportion ever. All technical areas of work depended heavily on voluntary contributions. Approximately 80 per cent of voluntary funding was "specified" – earmarked to particular areas and activities – although in many cases these specified funds were mobilized by individual areas of work and the donors were responding to WHO expectations. Unspecified funds were pooled at department, area of work or organizational level, depending on the degree of flexibility permitted by each donor.

16. In UNIDO, there has been rapid growth in voluntary contributions, with a clear upward trend for three bienniums, and the proportion of extrabudgetary resources in total resources rising to some 64 per cent. UNIDO has been subject to zero real growth in the regular budget for several bienniums; the 48 per cent growth in regular budget resources was influenced by exchange rate fluctuations. Voluntary contributions finance technical cooperation under three main priority themes, the largest of which – energy and the environment – is carried out in close cooperation with, and mostly funded by, the Global Environment Facility and the Montreal Protocol. Nearly all voluntary contributions were earmarked to specific projects in specific countries.

17. Among the smaller agencies, voluntary contributions fluctuated in the period considered; a clear upward trend was discernible only in the World Tourism Organization (UNWTO). The fluctuations were particularly severe in IMO, affecting the timely implementation of technical cooperation programmes, particularly where IMO seeks extrabudgetary funds to match to its own resources. All voluntary contributions were fully earmarked in ICAO, IMO, the International Telecommunication Union (ITU), the World Intellectual Property Organization (WIPO) and UNWTO and largely so in the Universal Postal Union (UPU) and the World Meteorological Organization (WMO).

18. IAEA has traditionally received the greater proportion of its funding from assessed contributions, with extrabudgetary resources funding the technical cooperation programme and some joint activities. While regular budget resources still predominate, voluntary funding has become more important in the last decade, against a background of zero real growth in the regular budget up to 2004. A notable change has been the establishment in 2002 of a new programme for nuclear safety and security, which is 90 per cent funded from extrabudgetary resources.

Annex II

RESOURCE MOBILIZATION: STRATEGIES AND CURRENT PRACTICES

	Resource mobilization strategy	Current structures and practices for resource mobilization
United Nations offices, funds and programmes		
OHCHR	"A Funding Strategy" (internal document, 1999); subsequently amended according to priorities, and will be further developed in the context of the Strategic Management Plan (SMP) 2006-2007.	SMP is also a resource mobilization tool, indicating priorities and resource requirements, both regular and extrabudgetary. Resource Mobilization Unit (RMU) serves as a focal point for fund-raising, including field activities. Annual work plan of RMU defines specific funding objectives and activities and supplements SMP. RMU works in close collaboration with the substantive divisions and has regular contacts with the permanent missions. Substantive divisions address their requirements to RMU which approaches donors as needed; there is no direct fund-raising by the substantive divisions.
UNICEF	"The UNICEF resource mobilization strategy" (E/ICEF/1999/5), Executive Board (EB) decision 1999/8. A new strategy was being developed in 2006 to align with the current orientation of the funding environment.	Under the guidance of the Executive Director, five fund-raising units are responsible for the execution of the strategy: Programme Funding Office (coordinating relationships with donor governments), Private Sector Division, Geneva Regional Office (coordinating funding of the National Committees), Brussels and Tokyo. Due to the decentralized structure, UNICEF representatives are involved in fund-raising with government representatives and the private sector at the country level.
UNDP	"UNDP funding strategy", EB decision 98/23, and "Multi-year funding framework", EB decision 99/1, both reaffirmed by EB decision 2002/9.	Bureau for Resources and Strategic Partnerships was established in 2000 to strengthen the resource mobilization function of UNDP, and particularly its institutional capacity to forge new partnerships. Resources are mobilized at the corporate, regional and country levels.
UNFPA	"UNFPA funding strategy", EB decision 98/24, included the development of a MYFF. Further development of UNFPA resource mobilization strategy requested by EB decision 2000/9.	Formal resource mobilization strategy is being developed; all country offices have been requested to draft a fund-raising strategy for their own country programme that will feed into the corporate strategy. Several units will be responsible for the implementation of the strategy, but Resource Mobilization Branch will be the focal point.
WFP	"A resource mobilization strategy for the World Food Programme" (WFP/EB.3/2000/3-B), approved as amended by EB decision 2000/EB.3/2. "New partnerships to meet rising needs – expanding the WFP donor base" (WFP/EB.3/2004/4-C) approved by EB decision 2004/EB.3/4.	Prior to 2001, fund-raising was highly centralized; since 2002 there has been decentralization, including the donor relations offices with the United States and the European Commission, strengthening of the office in Japan, and new bureaux in other capitals. The Fundraising and Communications Department was established in 2003 reporting to a Deputy Executive Director and made up of five departments dealing with donor relations, major donors, the private sector and communications.

	Resource mobilization strategy	Current structures and practices for resource mobilization
United Nations offices, funds and programmes (cont'd)		
UNODC	"Fund Raising, Policy and Procedures" (Management Instruction, UNODC/MI/6/Rev.1, 2004) and other internal documents form the basis of a strategy.	Co-financing and Partnership Section (CPS) has the lead and the coordination function, but all units can undertake fund-raising, including field offices. At the field level, requests to local representatives of donor Governments have to go to the capitals, as well as through the coordination of CPS. Work plan of CPS identifies goals and expected results, with an emphasis on broadening the donor base and partnerships.
UNHCR	"Guiding principles applicable to the resourcing of UNHCR's unified budget" and "Decision on mobilizing resources for a unified budget: the Pledging Conference", (EC/50/SC/CRP.23), adopted by the Executive Committee in 2000. Agreement on a new fund raising strategy is among the management performance targets for 2006 (Global Appeal 2006).	Within the Division of External Relations, the Donor Relations and Resource Mobilization Service has a broad field of work in resource mobilization, but representatives in donor capitals, representatives in field operations, and bureaux/desks also have clearly defined roles and responsibilities, which are set out in an internal document of 2003. Private Sector and Public Affairs Service takes the lead in private sector fund-raising, and also provides internal guidelines.
UNRWA	Within the framework of the 2006-2009 organizational development process, the External Relations Department (ERD) is currently drafting a resource mobilization strategy.	ERD will be responsible for implementing the resource mobilization strategy once formalized and approved. Direct contact with donors is mainly the purview of the Commissioner-General and ERD, but, under clear rules, directors of field offices also maintain close contact, and are encouraged to do so. A dedicated unit has been set up to raise funds from the NGO and private sectors, and the Arab region.
UNEP	"Draft resource mobilization strategy of the United Nations Environment Programme" (UNEP/GC.21/7/Add.1, December 2000) adopted by Governing Council decision 21/32 in 2001.	Resource Mobilization Unit (RMU) is responsible for coordinating activities, working directly with donors and all divisions and reporting to the Deputy Executive Director. The strategy envisaged the delegation of fund-raising initiatives to a wider range of staff members, including division directors and regional directors. Professional staff make direct contact with donor counterparts to mobilize resources, but RMU coordinates proposals received and projects are selected according to set priorities.
UN-HABITAT	Work has started on an enhanced donor mobilization strategy to be spearheaded by the new Deputy Executive Director appointed in January 2006, under the leadership of the Executive Director.	Directors act as focal points for resource mobilization and have the authority to negotiate with donors. The main task of the Deputy Executive Director is to revitalize and oversee the management of the Habitat and Human Settlements Foundation, which is anchored in the Human Settlements Financing Division created in 2004.
UNCTAD	Resource mobilization strategy is contained in the Technical Cooperation Strategy. (TD/B/50/14 (Vol. I)).	Technical Cooperation Service is responsible for implementing the strategy. Individual divisions, branches, sections and staff dealing with technical cooperation can make direct contact with donors, but some donors prefer to deal with a single entity (Technical Cooperation Service).

	Resource mobilization strategy	Current structures and practices for resource mobilization
Specialized agencies and IAEA		
ILO	"Resource mobilization: Strategy and implementation" (GB.291/TC/1, sect. II); Governing Body (GB) decision in 2004 requested the Office to implement the strategy (GB.291/PV).	Partnerships and Development Cooperation Department (PARDEV) is responsible for the execution of the strategy. An internal work plan has been elaborated based on: more and better partnership programmes with donor agencies; increased local resource mobilization; promotion of public/private partnerships; response to competitive opportunities; and product development and packaging.
FAO	No formal comprehensive strategy at the overall corporate level, but in the light of ongoing United Nations reforms, it is intended to develop such a strategy in the near future. A resource mobilization strategy is being elaborated for emergency operations.	Resource mobilization is a corporate responsibility and all staff are encouraged to maintain an active dialogue with donors. Formal negotiations and conclusion of funding agreements is made by the Technical Cooperation Department (at the central level) and FAO Representatives in the countries concerned (up to a specified amount). Field Programme Development Service coordinates extrabudgetary funding from multilateral and bilateral sources for long-term development projects and programmes. Funding from the private sector as well as from local authorities is coordinated by a specific unit. Resource mobilization for emergency and rehabilitation projects and programmes is coordinated and managed by the Emergency Operations and Rehabilitation Division. Field level offices are increasingly involved in resource mobilization and often engage with donors directly at the country level, as more funding decisions are decentralized to the field.
UNESCO	Proposed strategy being reviewed by the Director-General.	"UNESCO's extrabudgetary activities. A practical guide" (2004) presents policies, procedures and practices that govern activities under extrabudgetary contributions. Division for Cooperation with Extrabudgetary Funding Sources is the interface between programme managers in headquarters/field and the donors. Programme/project managers can make direct approaches to donors, but all donations should be approved centrally.
ICAO	No formal organization-wide strategy.	No formal location or focal point for resource mobilization.
WHO	"Resource Mobilization Framework" (internal document, 2005), provides the basis for further consultations and the development of resource mobilization policies and strategies.	Department of Planning, Resource Coordination and Performance Monitoring coordinates resource mobilization at the corporate level, cooperating closely with the headquarters clusters and the regional offices through the Global Resource Mobilization Team Mechanism. Traditionally, departments and key technical staff have maintained close direct contacts with potential donors, but the corporate approach is being strengthened (pooled funding/corporate account initiative). Direct contact is important for the private sector, foundations and NGOs.
UPU	No clear strategy has been defined.	Direct contacts are made in order to finance specific projects, mainly cooperation and development projects, by the divisions responsible for them.

	Resource mobilization strategy	Current structures and practices for resource mobilization
Specialized agencies and IAEA (cont'd)		
ITU	A formal strategy exists.	Partnership and Promotion Unit deals with resource mobilization, relationships with partners, follow-up.
WMO	Steering Committee established in 2004 to develop and implement overall policy and strategy for resource mobilization.	For voluntary contributions to finance regular budget activities, direct contact with donors can be made by departments/divisions/individuals; for technical cooperation, Regional and Technical Cooperation Activities for Development (RCD) contacts and negotiates with donors.
IMO	"Long-term funding and resource mobilization strategy" (TC 46/4, 1998). A new strategy is currently being formulated.	Technical Cooperation Committee and the Technical Cooperation Division (TCD) are responsible for the execution of the strategy. Programme managers can make direct contact with the donors, but TCD coordinates resource mobilization and reports to the governing body.
WIPO	The 2006/07 Program and Budget established the function of resource mobilization with the aim of designing and implementing a more proactive strategy for extrabudgetary resource mobilization.	Programme managers across WIPO may initiate contact directly with donors to seek funding. However, the Section for Mobilization of Extrabudgetary Resources in the Coordination Sector for External Relations is responsible for the identification, development and internal coordination of new extrabudgetary opportunities for the Organization.
UNIDO	No formal strategy. The Director-General has called for a special task force on funds mobilization and a paper is being prepared.	The central resource mobilization and coordinating function lies with the Strategic Partnerships and Resource Mobilization Group. Decentralized responsibility for resource mobilization lies with country offices, technical offices and integrated programme teams, although agreements are finalized at headquarters. Partnerships at the country level are central to the approach to resource mobilization.
UNWTO	Resource mobilization strategy exists, but not in writing.	Responsibility for execution of the strategy, including direct contact with the donors, lies with the Technical Cooperation Service/Sustainable Tourism – Eliminating Poverty (ST-EP) programme and regional representatives.
IAEA	No formal corporate strategy. Current proposal is for a resource mobilization framework similar to WHO.	There are internal procedures for solicitation of voluntary contributions. Rules regarding the acceptance of voluntary contributions are in force (INFCIRC/370/Rev.2, 2004). For the Technical Cooperation programme, unfunded projects or activities are identified during the programme design process. In some cases, the programme management officer, in cooperation with the in-country project counterpart, is able to identify funding sources; otherwise, the Division of Programme Support and Coordination (Department of Technical Cooperation) is asked to undertake resource mobilization. For nuclear security, the Office of Nuclear Security implements a strategy directly, involving periodic meetings with the donors. For the Programme of Action for Cancer Therapy (PACT), the PACT programme office is in charge of donor relations.

Annex III

Overview on action to be taken by participating organizations on JIU recommendations

		United Nations and its Funds and Programmes											Specialized Agencies and IAEA												
		United Nations *	UNCTAD	UNODC	UNEP	UN-HABITAT	UNHCR	UNRWA	UNDP	UNFPA	UNICEF	WFP	ILO	FAO	UNESCO	ICAO	WHO	UPU	ITU	WMO	IMO	WIPO	UNIDO	UNWTO	IAEA
Report	For action	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
	For information and review	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 1			L	L		L	L	L	L	L	L	L													
Recommendation 2		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 3		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 4		L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 5		L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 6		L	L	L		L	L	L	L	L	L			L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 7		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E

Legend: **L:** Recommendation for decision by legislative organ
E: Recommendation for action by executive head
Blank: Recommendation does not require action by this organization

* Covers all entities listed in ST/SGB/2002/11 other than UNCTAD, UNODC, UNEP, UN-HABITAT, UNHCR, UNRWA.